

## Message Text

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PAGE 01 LAGOS 06651 301419Z  
ACTION AF-10

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CIAE-00 INR-10 NSAE-00 AID-05 /051 W  
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R 301236Z MAY 78  
FM AMEMBASSY LAGOS  
TO SECSTATE WASHDC 8644  
INFO USDOC WASHDC  
AMCONSUL KADUNA  
AMEMBASSY MOSCOW

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E.O. 11652: N/A  
TAGS: BENC, ECRE, EMIN, NI  
SUBJECT: MAJOR PROJECT: DRAVO INQUIRY ON AJAOKUTA STEEL CIVIL  
WORKS, US STEEL VISIT

REF: (A) STATE 132961, (B) STATE 118116

1. DURING MEETING WHICH EMBOFF ARRANGED PER REFTTEL B BETWEEN ROBERT BOYER OF U.S. STEEL ENGINEERS AND CONSULTANTS, L.O. MONPETIT OF USSEC SUBSIDIARY CANADIAN MET-CHEM CONSULTANTS, AND D.O. DEDE, PRINCIPAL SECRETARY (STEEL) IN MINISTRY OF INDUSTRIES, DEDE TOLD VISITORS THAT PURPOSE OF OPENING BIDDING ON AJAOKUTA CIVIL WORKS TO FOUR ADDITIONAL FIRMS WAS TO COMPARE THE BIDS THAT WOULD BE SUBMITTED BY FIRMS ALREADY ESTABLISHED IN NIGERIA (THE NEW BIDDERS INCLUDED JULIUS BERGER, STRABAG, FOUGEROLLE, AND ONE OTHER UNIDENTIFIED FIRM) WITH THE BIDS SUBMITTED BY FIRMS NEW TO NIGERIA IN ORDER TO SEE WHICH KIND OF FIRM OFFERED NIGERIA THE BEST TERMS. FMG WAS INTERESTED IN SEEING WHETHER ANY CLEAR TENDENCY FOR ONE SIDE OR THE OTHER TO INFLATE BIDS WOULD EMBERGE.

2. DURING CONVERSATION, DEDE ALSO SAID THAT SOVIETS WILL NOW NOT ONLY DESIGN AND EQUIP, BUT ALSO ERECT THE STEEL MILL. PLANS  
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PAGE 02 LAGOS 06651 301419Z

TO HAVE ERECTION ACCOMPLISHED BY SOME SORT OF NIGERIAN COMPANY HAVE BEEN DISCARDED.

3. DEDE TOLD BOYER AND MONTPETIT THAT TRACES OF GOOD COKING COAL HAVE BEEN FOUND AT LAFIA, BUT EXPLORATION IS STILL UNDERWAY. NIGERIAN IRON ORE IS NOT BAD, MAGNETITE WITH 40 TO 50 PERCENT FE. DRAWBACK IS ITS HIGH SULFUR CONTENT.

4. DEDE ALSO INFORMED VISITORS THAT THEY WERE A BIT LATE TO GET INVOLVED WITH ANY IRON AND STEEL PROJECTS IN NIGERIA. AJAOKUTA COMPLEX AND WARRI DIRECT REDUCTION PROJECTS ALREADY SEWN UP. MOI NOW IN PROCESS OF FINALIZING SELECTION OF CONTRACTORS FOR THREE ROLLING MILLS TO BE LOCATED IN NORTH. THE DIRECT REDUCTION PLANT AT WARRI WILL ALSO INCLUDE A ROLLING MILL, BUT PART OF THIS PLANT'S BILLET PRODUCTION WILL GO TO SUPPLY THE THREE NORTHERN ROLLING MILLS. THEY WILL ALSO GET BILLETS FROM AJAOKUTA.

5. BOYER AND MONTPETIT TOLD EMBOFF PRIOR TO MEETING DEDE THAT THEY HAD HEARD ON GRAPEVINE IN EUROPE THAT WARRI DIRECT REDUCTION PROJECT WAS RUNNING INTO DELAYS OVER FINANCE. ON CHANCE THAT THIS MIGHT OFFER OPENING FOR U.S. STEEL, BOYER TOLD DEDE USSEC WOULD BE PREPARED TO ASSIST MOI IF DESIRED. EMBOFF TOLD DEDE IN RESPECT OF FINANCING THAT EXIMBANK DEFINITELY INTERESTED IN LENDING TO NIGERIA. DEDE WAS INTERESTED, ACKNOWLEDGED THAT FINANCING OF DIRECT REDUCTION PROJECT WAS BEING DISCUSSED, BUT SAID HE ANTICIPATED NO SERIOUS DIFFICULTIES.

6. IN SUBSEQUENT MEETING WITH G.O. FATOYE, PERMSEC OF MINES AND POWER, BOYER AND MONTPETIT EXPRESSED INTEREST IN ASSISTING WITH IRON AND COAL MINING PROJECTS IN NIGERIA. FATOYE CONFIRMED WHAT DEDE HAD SAID ABOUT NEW COAL DEPOSITS AT LAFIA. CONSULTANTS POWELL-DUFFRYN AND U.K. COAL BOARD HAD FOUND LIMITED OFFICIAL USE

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PAGE 03 LAGOS 06651 301419Z

THIN SEAMS AND BADLY FRACTURED GEOLOGY, WERE STILL STUDYING DEPOSITS. AS FAR AS AJAOKUTA IRON ORE CONCERNED, SOFRASID OF FRANCE HAD BEEN AWARDED CONSULTING ROLE.

7. RE OTHER PROSPECTS, FATOYE MENTIONED THAT MMP CONSULTANT MATHEW ORTECH OF U.K. HAD SUBMITTED FEASIBILITY REPORT ON NATIONAL METALLURGICAL RESEARCH LABORATORY IN JOS BEGINNING OF APRIL. BOYER AND MONTPETIT DESCRIBED THEIR FIRMS' CAPABILITIES IN METALLURGICAL RESEARCH AND OFFERED TO HELP IF MMP DECIDED TO GO AHEAD WITH DEVELOPMENT OF SUCH A LABORATORY.

8. FATOYE ALSO TOLD BOYER AND MONTPETIT THAT MMP HIGHLY DESIROUS OF AUGMENTING MANAGEMENT OF NIGERIAN COAL CORPORATION TO ENABLE CORPORATION TO TACKLE NOT ONLY ENUGU MINES, BUT REVITALIZATION OF MINES IN NORTH AS WELL. FATOYE SAID NCC NEEDS MANAGEMENT TEAM OF AT LEAST FIVE EXPATRIATES, AND SAID HE WOULD WELCOME PROPOSAL FROM USSEC AND MET-CHEM. BOYER TOLD EMBOFF LATER HE WOULD LOOK INTO THIS, PROBABLY FROM POINT OF VIEW THAT IT MIGHT SERVE AS USEFUL LOSS LEADER TO GAIN ENTREE INTO NIGERIA TO KEEP EAR TO GROUND FOR OTHER MORE PROFITABLE CONSULTING CONTRACTS.

9. JUST PRIOR TO BOYER VISIT, TN MAN SOVIET TEAM ARRIVED IN LAGOS MAY 6 TO 12 TO DISCUSS MATTERS RELATED TO AJAOKUTA. DELEGATION WAS LED BY A.I. ALIKHANOV, DEPUTY CHAIRMAN OF SOVIET STATE COMMITTEE FOR FOREIGN ECONOMIC RELATIONS, AND INCLUDED: MR. MEKRIUKOV, DEPUTY MINISTER FOR ERECTION AND SPECIAL CONSTRUCTION WORKS; MR. YASENEV, HEAD OF DEPARTMENT, MEMBER OF THE STATE COMMITTEE FOR FOREIGN ECONOMIC RELATIONS; MR. SAKHAROV, HEAD OF DEPARTMENT, USSR MINISTRY OF MARINE TRADE FLEET; MR. DOROFEEV, PRESIDENT, V/O "METALLURGZARUBEZHSTROL"; MRS. ABSATAROV, CHIEF ENGINEER, "ZAGRANSTROIMONTAZH"; MR. KOVALSKY, VICE PRESIDENT V/O "TIAZHPROMEXPORT"; MR. VODINSKY, CHIEF EXPERT OF THE STATE COMMITTEE FOR FOREIGN ECONOMIC RELATIONS; AND TOW OTHERS. FMG PRESS RELEASE SAID DELEGATION WOULD VISIT SITE, HOLD TALKS LIMITED OFFICIAL USE

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PAGE 04 LAGOS 06651 301419Z

WITH MOI AND NSDA REGARDING CIVIL WORKS, ERECTION AND FINANCING OF PROJECT. COMMENT: EMBOFF UNDERSTANDS THAT FMG AND SOVIETS ARE STILL DEADLOCKED OVER PRICE FOR AJAOKUTA. SOVIETS HAVE SAID IT WOULD COST DOLLARS 900 MILLION, WHILE FMG HAS SAID DOLLARS 600 MILLION IS AS HIGH AS THEY WILL GO. SOVIETS PROBABLY HAVE STRONG BARGAINING POSITION SINCE FMG NOT ONLY BADLY WANTS PROJECT, BUT ALSO CANNOT THREATEN TO REPLACE SOVIETS IF THEY DON'T AGREE TO FMG TERMS SINCE IT WOULD BE POLITICALLY EMBARRASSING TO THROW SOVIETS OUT AND REPLACE THEM WITH WESTERN COMPANIES. EASUM

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## Message Attributes

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